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December 19, 2003

Mr. Jonathan G. Katz
Secretary
United States Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549-0609

Re: File No. S7-19-03

Dear Mr. Katz:

In the aftermath of the recent corporate scandals, your determined and continued commitment to implement the provisions of the Sarbanes-Oxley Act and institute sound regulatory reform is an on-going testament to your obligation to all shareholders. Your reform efforts on the shareholders' behalf will serve to alleviate some of the current malaise affecting the financial industry and restore investor confidence in our marketplace. *To that end, I strongly support the Commission's proposal to amend the proxy rules to allow shareowners limited access to management's proxy card to nominate directors.* The corporate scandals that have plagued the marketplace have highlighted a longstanding concern of the institutional community – the fact that in many instances, directors are not providing the required leadership expected from their shareowners. In many cases, the director nomination process is flawed, due in large part to the limitations imposed by the companies and the securities laws. I believe reasonable access to company proxy cards for long-term investors would address these concerns. Such access would substantially contribute to the health of the U.S. corporate governance structure by making boards more responsive to shareowners, more deliberative regarding their director nomination process and more vigilant regarding their oversight responsibilities.

As the Executive Director of the State Board of Administration of Florida (SBA), I am responsible for the operations of the Florida Retirement System (FRS), a \$98 billion public pension fund. The SBA's Trustees, Governor Jeb Bush, Chief Financial Officer Tom Gallagher and Attorney General Charlie Crist have faithfully and diligently fulfilled their role as fiduciaries for the pension fund and continue to safeguard the retirement funds of our plan's beneficiaries.

Our fiduciary responsibilities to the FRS include efforts to strengthen corporate governance as a primary means of enhancing shareholder value. As a large public institution, we vote approximately 2,800 proxies on various management and shareholder proposals. Ultimately, we adhere to the philosophy that corporate governance plays an important role in enhancing our financial objectives as a long-term investor. In furtherance of that philosophy, I strongly urge you to strengthen regulations to preserve shareholder value and investor confidence in the companies in which we invest our pension funds by addressing the issues raised in File No. S7-19-03.

As a charter member of the Council of Institutional Investors (CII), and a current member of their Board of Directors, the SBA has long been in the forefront of corporate governance issues. We have consistently sought adequate protections for shareholders, and I would ask your endorsement of the following modifications to strengthen the proposed rule and enhance its effectiveness. Further, I believe that any access mechanism should not be used to affect a change in control. To that end, I endorse the following key issues relevant to the proposed rule:

- *Ideally*, the final rule would not include triggers. The SEC's proposal imposes a two-year waiting period before shareowners may include candidates on management's card; such a delay is problematic at seriously troubled companies.
- Should the final rule include triggers, the following should be considered:
 - "Immediate triggers" should be added, ensuring that in certain situations, shareowners would not have to wait two years to include one or more candidates on management's proxy card.
 - A 35% withhold vote threshold may be reasonable. Further, all voting-result-related triggers should be based on votes CAST, not votes OUTSTANDING. A higher standard for the access mechanism would be inappropriate and unfair to shareowners.
 - A trigger should be added based on a board's non-implementation of majority-vote-winning shareowner resolutions. Because the failure to act on a majority vote is significant evidence of a breakdown in the proxy process, such a trigger should be incorporated in the final rule. Further, there should be clarification of whether or not the trigger is based on a *single* incident of "failure to act on a majority vote." Perhaps a more realistic two-year trigger on non-implementation should be considered.
- Requiring shareowner-suggested nominees to be independent of the nominating shareowner or group is unnecessary. Requiring companies and nominating shareowners to fully disclose all relationships between director candidates and the company, company executives, and, in the case of candidates nominated by shareowners, the nominating shareowners, would be sufficient. Full disclosure and meaningful information concerning each candidate will ensure that shareowners can make informed voting decisions.
- I believe an access mechanism should not be used to unseat a board or facilitate a change in control. However, an access mechanism should be structured to allow shareowners to nominate less than a majority of the board. The numerical limits proposed by the SEC overly complicate the rule and may hinder its effectiveness, particularly when shareowners are limited to including only one candidate on management's proxy card.
- The state law carve-out from the rule could be open to abuse by companies. There should be prompt 8-K disclosure of any bylaw or charter amendments or state law changes impacting the effectiveness of the access mechanism. Such disclosure would ensure that shareowners are promptly and fully aware of any changes to their rights.
- I adamantly believe that shareowners need more than 30 days before a scheduled meeting to learn of a company's determination to omit a shareowner-suggested candidate.
- The final rule should include mechanisms – such as the ones in place to review shareowner resolutions submitted under rule 14a-8 of the Securities Exchange Act of 1934 – to handle disputes over director eligibility, shareowner eligibility and any other issues relating to the rule.

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12/19/03 Letter to Mr. Jonathan G. Katz

Again, I commend your efforts towards achieving meaningful reform in the corporate governance arena and I sincerely appreciate the opportunity to comment.

Sincerely,

A handwritten signature in cursive script, reading "Coleman Stipanovich".

Coleman Stipanovich

Executive Director

cc: Honorable Jeb Bush
Honorable Charlie Crist
Honorable Tom Gallagher